

M Management Committee

Meeting date: October 27, 2010

ADVISORY INFORMATION

Date:	October 20, 2010
Subject:	3 rd Quarter Financial Report – September 30, 2010
District(s), Member(s):	All
Policy/Legal Reference:	Council Policy 3 – Finance and Asset Management
Staff Presented:	Mary Bogie 651-602-1359, Edwin Petrie 612-349-7624, Jason Willett 651-602-1196
Division/Department:	Regional Administration/Finance

Financial Statements are attached for Council operating funds for the quarter ending September 30, 2010. The narrative below provides information on significant events for each operating fund.

3rd Quarter Financial Report – September 30, 2010

- **General Fund**

General Fund operating expenses, overall, are under budget. The largest variance is in Consulting & Contractual Services, \$2 million. Based upon prior years, Consulting & Contract Services expenditures trend toward the last months of the year. Year-end operating expenses are expected to be at or under budget.

The total fund balance at September 30, 2010 was \$17 million with \$12 million undesignated and available for operations. The undesignated fund balance is well above the Council's 10% target of \$3.9 million.

General fund undesignated balances are the most flexible as to use of total available operating reserves.

- **Environmental Services**

Environmental Services forecasts an operating surplus of between \$2.7 million and \$4.7 million for the calendar year end 2010, compared to the budgeted use of \$2 million of Contingency Reserve. Favorability in Contract Services, Industry Specific Charges, Chemicals, Materials and Salaries and Benefits more than offset unfavorability in Investment Income.

With a \$2.7 million operating surplus, the Year End Contingency Reserve would be \$23.9 million, compared to the Council's 10% Target of \$11.8 million. The majority of this surplus is planned to be used for rate mitigation over the next 5 years while the low SAC receipts and SAC reserve balance is putting pressure on wastewater rates.

The SAC Reserve balance is forecast at \$15.7 million at calendar year end 2010, at the budgeted receipt of 6,500 SAC units. Based on YTD August SAC receipts, we expect units to be 1,000-1,500 units higher than budget, generating \$2-\$3 million additional receipts and year-end reserve, which will be available for the 2012 rate-setting process.

- **Metro Transit**

Bus Operations:

Metro Transit bus operations had an adopted 2010 budgeted use of reserves of \$17.7 million. During 2009, additional Federal funds became available that were planned to be used to balance the 2010 budget. During CY 2010, adjustments to MVST revenues and State Appropriation amended the budget to a \$12.1 million planned use of reserves.

Metro Transit is currently forecasting a positive budget variance of \$450 thousand. This positive variance along with a proposed operating amendment to transfer MVST reserves will bring the Metro Transit Bus operating reserve to the full Council target of 8.3% or \$21.5 million, by the end of CY 2010.

Metro Transit bus ridership was 1,366,622 below the budgeted level for the first nine months of CY 2010. This reduction was related to the overall economic downturn and resulted in passenger fares being \$3.8 million below budget.

Metro Transit bus operating expenses are under budget by \$5.5 million from the 2010 budget. *Salaries and Benefits* were reduced by \$2.1 million through temporarily not filling of vacant positions; *Professional and Technical Services* were reduced \$1.2 million due to savings on various maintenance contracts; *Diesel Fuel* was reduced \$2.1 million due to diesel prices dropping significantly during 2010; and *Allocated Charges* were \$400 thousand below budget due to savings in Casualty and Liability costs and savings in Council Allocated charges.

Light Rail Operations:

Metro Transit Hiawatha Light Rail 2010 adopted operating budget that was balanced. Light Rail operations is currently forecasting a positive variance of \$250 thousand. This positive variance will bring the Light Rail operating reserves to \$3.3 million, significantly over the Council target of \$2.2 million.

Light Rail ridership was 191,739 passengers above budget for the first 9 months of 2010 resulting in Passenger fares \$401 thousand over the budgeted level. In addition to the increased revenues, cost savings of \$196 thousand resulted in the projected increase to the fund balance of \$250 thousand, by the end of CY 2010.

Commuter Rail Operations:

Metro Transit Northstar Commuter Rail operations began in November 2009. Ridership for this new service for the first nine months of 2010 was 30,322 below budget. Northstar ridership has been positively impacted by the success of the Twins special events but has been negatively impacted by the economic downturn, loss of jobs, and fuel cost stabilization.

The reduction in ridership resulted in a \$118 thousand reduction to passenger revenues with offsetting reductions to operating costs. Metro Transit is currently forecasting a positive budget variance of \$165 thousand. This positive variance along with the proposed operating amendment to transfer MVST reserves will bring the Metro Transit Commuter Rail operating reserves to the full Council target of 8.3% or \$1.4 million by the end of CY 2010.

- **Metropolitan Transportation Services**

The Metropolitan Transportation Services is under budget for contract services and related federal revenues primarily related to timing lag for invoices from outside providers.

The target fund balance policy for Metropolitan Transit Services is 10% of budgeted operating expenses. Year-end operating reserves are projected above target at \$13 million (~17%).

- **Housing and Redevelopment Authority**

Housing Expenses and related *Federal and Local Revenues* are close to budget and projected to be on budget at year end. Fund equity balances are primarily reserved for program purposes.

- **Post Employment Health Care Liability**

Investments set aside (reserved) for Post Employment Health Care Benefits were \$78.8 million at September 30, 2010. Funds are invested with the Minnesota State Board of Investment and include *cumulative unrealized losses* of \$14.8M. Unrealized losses are market driven and represent the difference between the purchase price and current market value of investments and are not realized until investments are sold. We have seen, and will continue to see, investment gains and losses over the life of these investments.

The actuarial accrued liability at January 1, 2010 was \$328 million. Actuarial valuations are done biennially to comply with Generally Accepted Accounting Principles.

The Council's funding policy requires contributions to the Health Care Liability Reserve for the portion of the benefit earned each year by active employees. Environmental Services contributed an additional \$5 million from contingency reserves over target in 2010.

BALANCE SHEET
General Fund
September 30, 2010

(Un-audited)

Cash & Cash Equivalents	15,805,831
Accounts Receivable	1,203,106
Delinquent Taxes Receivable	300,049
Due from Other Governmental Units	51,755
Other	24,163
Total Assets	<u>17,384,904</u>
Accounts Payable	78,971
Deferred Revenue (Delinquent Taxes)	300,049
Other	156
Total Liabilities	<u>379,176</u>
Fund Balance, Beginning	15,788,875
Income Statement	1,216,853
Fund Balance, Ending	<u>17,005,728</u>
Total Liabilities and Fund Balance	<u>17,384,904</u>
Fund Balance:	
Undesignated	11,985,715
Designations (Self-insurance, Comp Absences, €	<u>5,020,013</u>
Total	<u>17,005,728</u>

STATEMENT OF REVENUES AND EXPENSES
General Fund

As of September 30, 2010

(Un-Audited)

	YTD ACTUALS	YTD BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	YEARLY BUDGET	% OF YRLY BUDGET
<u>REVENUES</u>					
Property Taxes	6,406,843	8,469,591	(2,062,748)	12,555,894	51.03%
State & Federal Revenue	-	193,125	(193,125)	386,250	0.00%
Investment Earnings	466,826	560,890	(94,064)	626,390	74.53%
Other Revenue	41,917	52,250	(10,333)	53,000	79.09%
Total Revenue	6,915,586	9,275,856	(2,360,270)	13,621,534	50.77%
<u>EXPENSES</u>					
Salary and Benefits	16,139,009	16,621,427	482,418	24,624,336	65.54%
Consulting & Contractual Services	5,036,761	7,070,210	2,033,449	9,426,946	53.43%
Rent & Utilities	1,841,253	1,812,008	(29,245)	2,416,010	76.21%
Printing	96,833	205,500	108,667	274,000	35.34%
Travel	157,736	313,686	155,950	418,248	37.71%
Insurance	34,945	21,000	(13,945)	28,000	124.80%
Other Operating Expenses	480,416	1,894,995	1,414,579	2,526,660	19.01%
Total Expenses	23,786,953	27,938,826	4,151,873	39,714,200	59.90%
<u>TRANSFERS</u>					
Transfer In From MT	10,079,378	11,493,284	(1,413,906)	15,324,379	65.77%
Transfer In From MCES	6,309,853	7,540,140	(1,230,287)	10,053,520	62.76%
A87 Allocations	1,640,369	1,916,040	(275,671)	2,554,720	64.21%
Transfer In - Other	-	-	-	-	0.00%
Chargeback from MAC	58,620	54,750	3,870	73,000	80.30%
Transfer Out	(3,244,427)	(3,244,427)	3,244,427	(4,325,903)	0.00%
Total Transfers	18,088,220	17,759,787	328,433	23,679,716	76.39%
<u>SURPLUS (DEFICIT)</u>	1,216,853	(903,183)	2,120,036	(2,412,950)	

BALANCE SHEET
Environmental Services
September 30, 2010
(Un-audited)

Cash & Cash Equivalents	14,225,550
Accounts Receivable	3,931,724
Materials & Supplies	8,346,197
Total Assets	<u>26,503,471</u>

Accounts Payable	1,872,722
Salaries/Fringes Payable	8,623,869
Workers Comp	546,552
Deferred Revenue (Advance payments of sewer charges)	7,551,921
Total Liabilities	<u>18,595,064</u>

Fund Equity Accounts	-
Income Statement	7,908,407
Ending Equity	7,908,407
Total Liabilities and Equity	<u>26,503,471</u>

Contingency Operating Reserves:

Beginning Equity	26,879,074
Transfer to Operation/EPA Air Quality Testing	(150,000)
Transfer to Operating/OPEB	(5,000,000)
Transfer to Operating/CVC	(512,442)
Ending Equity	<u>21,216,632</u>

STATEMENT OF REVENUES AND EXPENSES
Environmental Services
As of September 30, 2010
(Un-audited)

	YTD ACTUALS	YTD BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	YEARLY BUDGET	% OF YRLY BUDGET
<u>REVENUES</u>					
Municipal Wastewater Charges	125,557,500	125,557,500	-	167,410,000	75.00%
Industrial Charges	6,219,805	6,219,805	-	9,665,000	64.35%
Investment Earnings/Finance Charges	745,715	1,499,999	(754,284)	2,000,000	37.29%
State Grant	583,817	588,370	(4,553)	675,941	86.37%
Miscellaneous Revenue	366,441	393,750	(27,309)	525,000	69.80%
Total Revenue	133,473,278	134,259,424	(786,146)	180,275,941	74.04%
<u>EXPENSES</u>					
Salary and Benefits	35,994,928	37,407,981	1,413,053	55,501,456	64.85%
Retiree Hlth, Wkrs Comp, Leave Benef	8,852,533	8,600,000	(252,533)	9,800,000	90.33%
Consulting & Contractual Services	7,262,676	10,555,107	3,292,431	14,023,399	51.79%
Materials & Supplies	3,793,144	5,140,425	1,347,281	6,853,400	55.35%
Chemicals	4,234,004	6,036,499	1,802,495	8,019,730	52.79%
Travel	77,951	207,094	129,143	276,125	28.23%
Utilities & Rent	12,527,897	13,122,615	594,718	17,520,387	71.50%
Capital Outlay	667,626	1,514,101	846,475	2,018,800	33.07%
Other Direct Expenses	774,775	841,122	66,347	977,122	79.29%
Total Expenses	74,185,534	83,424,944	9,239,410	114,990,419	64.51%
<u>TRANSFERS</u>					
SAC Transfer	22,773,753	22,773,753	-	30,365,000	75.00%
Transfers In	5,662,442	5,947,059	(284,617)	6,062,442	93.40%
Debt Service	(72,755,682)	(72,755,682)	-	(92,659,444)	78.52%
Interdivisional Charges	(6,309,853)	(7,540,141)	1,230,288	(10,053,520)	62.76%
Transfers Out	(749,997)	(749,997)	-	(1,000,000)	75.00%
Total Transfers	(51,379,337)	(52,325,008)	945,671	(67,285,522)	76.36%
SURPLUS (DEFICIT)	7,908,407	(1,490,528)	9,398,935	(2,000,000)	

BALANCE SHEET
Metro Transit Operating Funds
September 30, 2010

(Un-audited)

ACCOUNT	BUS	LIGHT RAIL	COMMUTER RAIL	TOTAL
Cash & Cash Equivalents	38,707,033	1,907,300	1,911,121	42,525,454
Accounts Receivable	5,235,821	296,761	-	5,532,582
Due from Other Govern Units	7,817,153	86,018	1,601,442	9,504,613
Materials & Supplies	10,717,902	4,472,074	205,010	15,394,986
Other	2,177,571	125,000	395,561	2,698,132
Total Assets	64,655,480	6,887,153	4,113,134	75,655,767
Accounts Payable	2,897,905	303,182	754,718	3,955,805
Salaries & Benefits Payable	27,497,455	1,236,981	95,474	28,829,910
Wrks Comp/Casualty-Liability Insurance	14,200,293	1,528,463	2,546,533	18,275,289
Deferred Revenue (Monthly ridership passes)	4,496,853	335,973	-	4,832,826
Other	-	-	-	-
Total Liabilities	49,092,506	3,404,599	3,396,725	55,893,830
Fund Equity Accounts				
Beginning Fund Equity	27,365,593	3,091,608	940,888	31,398,089
Income Statement	(11,802,619)	390,946	(224,479)	(11,636,152)
Ending Equity	15,562,974	3,482,554	716,409	19,761,937
Total Liabilities and Equity	64,655,480	6,887,153	4,113,134	75,655,767

STATEMENT OF REVENUES AND EXPENSES

Metro Transit - Bus Operating Fund

September 30, 2010

(Un-audited)

	<u>YTD</u> ACTUALS	<u>YTD</u> BUDGET	<u>VARIANCE</u> FAVORABLE (UNFAVORABLE)	<u>YEARLY</u> BUDGET	<u>% OF YRLY</u> BUDGET
<u>REVENUES</u>					
Passenger Fares	56,429,126	60,247,658	(3,818,532)	80,691,408	69.93%
Advertising	1,591,754	2,037,340	(445,586)	2,796,450	56.92%
MVST	79,286,847	79,286,847	-	110,336,084	71.86%
State Appropriations	22,334,766	22,334,766	-	26,303,238	84.91%
CTIB	-	-	-	-	0.00%
Federal Grants	8,852,693	8,623,044	229,649	11,497,393	77.00%
Miscellaneous Revenue	1,042,969	823,271	219,698	1,097,690	95.01%
Transfers from other funds	-	-	-	3,801,407	0.00%
Total Revenue	169,538,155	173,352,926	(3,814,771)	236,523,670	71.68%
<u>EXPENSES</u>					
Salaries & Benefits	140,761,151	142,886,542	2,125,391	191,049,656	73.68%
Professional & Technical Services	3,630,635	4,808,718	1,178,083	6,411,553	56.63%
Fuel	16,720,061	18,837,326	2,117,265	23,837,715	70.14%
Materials & Supplies	10,371,381	9,712,839	(658,542)	12,941,062	80.14%
Utilities	2,885,364	3,212,110	326,746	4,603,882	62.67%
Allocated Charges	6,972,182	7,372,182	400,000	9,729,529	71.66%
Total Expenses	181,340,774	186,829,717	5,488,943	248,573,397	72.95%
<u>SURPLUS (DEFICIT)</u>	(11,802,619)	(13,476,791)	1,674,172	(12,049,727)	

STATEMENT OF REVENUES AND EXPENSES
Metro Transit Hiawatha LRT Operating Fund
September 30, 2010

(Un-audited)

	YTD ACTUALS	YTD BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	YEARLY BUDGET	% OF YRLY BUDGET
<u>REVENUES</u>					
Passenger Fares	7,850,937	7,449,586	401,351	9,852,383	79.69%
Advertising	658,259	613,406	44,853	840,094	78.36%
State Appropriations	3,880,501	3,880,500	-	5,174,001	75.00%
CTIB	5,407,398	5,407,399	(1)	7,295,353	74.12%
MVET	1,526,898	1,526,898	-	2,121,351	71.98%
Federal Revenue	1,301	-	1,301	121,193	0.00%
Miscellaneous Revenue	29,654	90,900	(61,246)	225,564	24.47%
Transfers from other funds					0.00%
Total Revenue	19,354,948	18,968,689	386,258	25,629,939	75.52%
<u>EXPENSES</u>					
Salaries & Benefits	10,541,049	10,427,757	(113,292)	13,947,738	75.58%
Professional & Technical Services	459,868	460,098	230	613,453	74.96%
Materials & Supplies	3,225,999	3,194,883	(31,116)	4,259,828	75.73%
Utilities	1,621,250	1,886,985	265,735	2,554,723	63.46%
Allocated Charges	3,115,836	3,190,671	74,835	4,254,197	73.24%
Total Expenses	18,964,002	19,160,394	196,392	25,629,939	73.99%
<u>SURPLUS (DEFICIT)</u>	390,946	(191,705)	582,651	-	

STATEMENT OF REVENUES AND EXPENSES
Metro Transit - Northstar CRT Operating Fund
September 30, 2010
(Un-Audited)

	YTD ACTUALS	YEARLY BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	% OF YRLY BUDGET
<u>REVENUES</u>				
Passenger Fares	2,041,188	2,085,854	(44,666)	64.72%
CTIB	4,294,917	4,294,912	5	75.00%
MVST	3,433,408	3,433,406	2	71.98%
Miscellaneous Revenue	1,650,520	1,648,349	2,171	75.10%
Transfers from other funds				0.00%
Total Revenue	11,420,033	11,462,521	(42,488)	67.96%
<u>EXPENSES</u>				
Salaries & Benefits	2,320,814	2,293,453	(27,361)	75.76%
Professional & Technical Services	4,305,603	4,806,182	500,579	67.19%
Materials & Supplies	3,982,863	4,216,985	234,122	70.84%
Utilities	387,530	277,548	(109,982)	104.72%
Allocated Charges	647,702	1,005,489	357,787	48.31%
Total Expenses	11,644,512	12,599,657	955,145	69.29%
<u>SURPLUS (DEFICIT)</u>	<u>(224,479)</u>	<u>(1,137,136)</u>	<u>912,657</u>	<u>-</u>

BALANCE SHEET
Metropolitan Transit Services (MTS)
September 30, 2010

(Un-audited)

Account	Metro Mobility	Suburban Providers	Contracted Transit	Total
Cash & Cash Equivalents	9,600,623	(835,001)	10,507,474	19,273,096
Accounts Receivable	99,826	-	4,522	104,348
Due from Other Govern Units	-	-	779,727	779,727
Other	-	-	-	-
Total Assets	9,700,449	(835,001)	11,291,723	20,157,171
Accounts Payable	675	-	85,810	86,485
Total Liabilities	675	-	85,810	86,485
Fund Equity Accounts				
Beginning Fund Equity	6,122,967	-	7,278,406	13,401,373
Income Statement	3,576,807	(835,001)	3,927,507	6,669,313
Ending Equity	9,699,774	(835,001)	11,205,913	20,070,686
Total Liabilities and Equity	9,700,449	(835,001)	11,291,723	20,157,171

STATEMENT OF REVENUES AND EXPENSES
Metro Transportation Services (MTS)

September 30, 2010

(Un-audited)

	YTD ACTUALS	YTD BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	YEARLY BUDGET	% OF YRLY BUDGET
<u>REVENUES</u>					
Federal Revenue	7,179,393	17,531,973	(10,352,580)	20,823,597	34.48%
State Revenue	45,857,569	48,881,858	(3,024,289)	64,457,609	71.14%
Local Revenue	457,437	628,671	(171,234)	771,556	59.29%
Investment Earnings	278,163	243,750	34,413	325,000	85.59%
Other Revenue	5,420,269	5,356,418	63,851	7,141,891	75.89%
Total Revenue	59,192,831	72,642,670	(13,449,839)	93,519,653	63.29%
<u>EXPENSES</u>					
Salary and Benefits	2,419,384	2,431,370	11,986	3,602,030	67.17%
Consulting & Contractual Services	45,590,942	61,113,179	15,522,237	81,484,239	55.95%
Rent & Utilities	231,241	212,558	(18,683)	283,410	81.59%
Travel	14,668	28,875	14,207	38,500	38.10%
Grants	254,941	2,149,682	1,894,741	2,866,242	0.00%
Other Operating Expenses	3,076,452	3,292,869	216,417	4,390,492	70.07%
Total Expenses	51,587,628	69,228,533	17,640,905	92,664,913	55.67%
<u>TRANSFERS</u>					
Transfer In	-	15,863	(15,863)	21,150	0.00%
Chargeback from MAC & Misc	70,333	79,112	(8,779)	105,482	149.98%
Allocations	(1,006,222)	(1,119,510)	113,288	(1,492,680)	67.41%
Transfer Out	-	-	-	-	0.00%
Total Transfers	(935,889)	(1,024,535)	88,646	(1,366,048)	68.51%
<u>SURPLUS (DEFICIT)</u>	6,669,314	2,389,602	4,279,712	(511,308)	

BALANCE SHEET
Housing and Redevelopment Authority (HRA)
September 30, 2010
(Un-audited)

Cash & Cash Equivalents	7,263,838
Accounts Receivable	145,573
Capital Assets - Houses	20,392,513
Total Assets	<u>27,801,924</u>
Accounts Payable	414,127
Salaries/Fringes Payable	101,517
Family Affordable Housing Program (FAHP) Loan	1,405,000
Deferred Revenue (Housing Subsidy)	421,500
Total Liabilities	<u>2,342,144</u>
Fund Equity Accounts	483,560
Unrestricted Net Assets	3,519,627
HUD Administrative Fee Equity	20,392,513
Capital Assets	<u>1,064,080</u>
Income Statement	25,459,780
Ending Equity	<u>27,801,924</u>
Total Liabilities and Equity	<u>27,801,924</u>

STATEMENT OF REVENUES AND EXPENSES
Housing and Redevelopment Authority (HRA)

September 30, 2010

(Un-audited)

	YTD ACTUALS	YTD BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	YEARLY BUDGET	% OF YRLY BUDGET
<u>REVENUES</u>					
Federal Revenue	40,231,609	40,109,074	122,535	53,478,765	75.23%
State Revenue	1,166,784	1,278,000	(111,216)	1,704,000	68.47%
Local Revenue	-	37,500	(37,500)	50,000	0.00%
Investment Earnings	64,549	176,250	(111,701)	235,000	27.47%
Other Revenue	1,368,659	1,503,750	(135,091)	2,005,000	68.26%
Total Revenue	42,831,601	43,104,574	(272,973)	57,472,765	74.53%
<u>EXPENSES</u>					
Salary and Benefits	1,592,535	1,800,212	207,677	2,666,980	59.71%
Consulting & Contractual Services	214,899	692,250	477,351	923,000	23.28%
Rent & Utilities	147,854	236,460	88,606	315,280	46.90%
Housing Expenses	38,882,389	38,946,548	64,159	51,928,731	74.88%
Travel	22,721	34,500	11,779	46,000	49.39%
Insurance	107,050	86,250	(20,800)	115,000	93.09%
Other Operating Expenses	165,926	187,290	21,364	249,720	66.44%
Total Expenses	41,133,374	41,983,510	850,136	56,244,711	73.13%
<u>TRANSFERS</u>					
Allocations	(634,147)	(796,530)	162,383	(1,062,040)	59.71%
Total Transfers	(634,147)	(796,530)	162,383	(1,062,040)	59.71%
<u>SURPLUS (DEFICIT)</u>	1,064,080	324,534	739,546	166,014	

BALANCE SHEET
Retiree Health Care Liability (OPEB)
September 30, 2010
(Un-audited)

	Environmental Services	Metropolitan Transit	Regional Administration	Total Retiree Health
Investments OPEB Pool	33,277,086	51,812,817	2,299,358	87,389,261
Investment Shares	5,150,753	433,548	500,000	6,084,301
Cumul Unreal Gain/Loss OPEB	(5,685,496)	(8,745,617)	(394,564)	(14,825,677)
Accrued Earnings Rec OPEB Pool	61,405	94,460	4,262	160,127
Assets	32,803,748	43,595,208	2,409,056	78,808,012